

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 INR-07 NSAE-00

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 3166

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E.O. 11652: N/A

TAGS: EINV, EMIN, MY

SUBJECT: GOM UNVEILS PLANS TO BUY CONTROL OF LONDON TIN

REF: A) KUALA LUMPUR 3188 (6/9/75); B) KUALA LUMPUR 5319 (9/5/75)

1. IN ANNOUNCEMENT MADE IN LONDON, GOM (ACTING THROUGH STATE CORPORATION PERNAS SECURITIES) HAS RELEASED DETAILS OF NEWEST PLAN TO OBTAIN CONTROL OF LONDON TIN, WORLD'S LARGEST TIN COMPANY. THIS IS RESULT OF INTENSIVE EFFORT SINCE LAST SEPTEMBER'S FIASCO WHEN SINGAPORE GOVERNMENT BLOCKED GOM ATTEMPT TO BECOME PART OWNER OF HAW PAR BROS., THEREBY CONTROLLING 51 PERCENT INTEREST IN LONDON TIN. FAILURE OF THAT EFFORT WAS EMBARRASSING TO BOTH GOM AND TENGKU RAZALEIGH HAMZAH (AT THAT TIME CHAIRMAN OF PERNAS SECURITIES AND PRESENTLY MINISTER OF FINANCE).

2. DEAL ESSENTIALLY REQUIRES FORMATION OF NEW JOINT VENTURE BETWEEN PERNAS AND CHARTER CONSOLIDATED (BRITISH COMPANY WITH SUBSTANTIAL TIN HOLDINGS IN MALAYSIA). TWO ORGANIZATIONS WILL FORM NEW COMPANY CALLED NEW TRADEWINDS MALAYSIA SENDIRIAN BERHAD. JOINT VENTURE COMPANY WILL MAKE OFFER FOR REMAINING 49 PERCENT OF OUTSTANDING SHARES OF

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LONDON TIN (WORTH APPROXIMATELY 34 MILLION POUNDS AT CURRENT

PRICES). AT PRESENT TIME, PERNAS OWNS 20 PERCENT AND HAW PAR 31 PERCENT OF LONDON TIN. THUS, IF BID SUCCESSFUL, NEW TRADEWINDS COULD END UP WITH ABOUT 70 PERCENT OF SHARES OF LONDON TIN AND WOULD CONTROL ABOUT 42 PERCENT OF MALAYSIA'S TIN INDUSTRY. ACCORDING TO PRESS REPORTS, HAW PAR WILL NOT ATTEMPT TO BLOCK THIS MOVE AND MAY BE WILLING TO SELL ITS SHARES OF LONDON TIN TO NEW TRADEWINDS AT SOME TIME IN FUTURE. SIGNIFICANTLY, LONDON PANEL ON TAKEOVERS AND MERGERS HAS GIVEN TENTATIVE APPROVAL TO THIS APPROACH.

3. THIS PLAN STILL IN FORMATIVE STAGES AND MANY OBSTACLES STILL HAVE TO BE OVERCOME BEFORE DEAL SUCCESSFULLY CONSUMMATED. PRINCIPAL DIFFICULTY WILL BE TO OBTAIN APPROVAL OF SINGAPORE AUTHORITIES FOR SHIFT OF ASSETS. HOWEVER, IF PROBLEMS CAN BE RESOLVED, HEADQUARTERS OF LONDON TIN WILL MOVE FROM U.K. TO MALAYSIA AND GOM CAN RIGHTFULLY CLAIM TO DIRECTLY CONTROL SIGNIFICANT PORTION OF ITS OWN TIN INDUSTRY. THIS NOTABLE RATIONALIZATION OF TIN INDUSTRY IN MALAYSIA BEING ENTIRELY CONSISTENT WITH NEW ECONOMIC POLICY OBJECTIVES, SHOULD BE FAVORABLY RECEIVED BY MALAYSIAN NATIONALISTS AND, IN LARGE MEASURE, VINDICATE AND FURTHER ENHANCE THE CREDENTIALS OF THE "FATHER OF THE MALAYSIAN ECONOMY", TENGKU RAZALEIGH. UNDERHILL

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